

## THE MEDIATING EFFECT OF CORPORATE ENTREPRENEURSHIP BETWEEN KNOWLEDGE MANAGEMENT AND BANKER'S PERFORMANCE IN MALAYSIA

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### ABSTRACT

*The main purpose of this study was to investigate the mediating effect of corporate entrepreneurship on the relationships between knowledge management and banker's performance. This study was motivated by the inconsistent findings in the contemporary literature regarding the relationships between knowledge management and organization performance. Due to these inconsistencies, a new research stream emerged which suggests investigating the effect of corporate entrepreneurship that may better explain the nature of the link. In the relevant literature, many theories have emphasized the necessity to establish the fit between organizations and performance as the first and key success factor. Studies have acknowledged importance of corporate entrepreneurship as a critical variable for performance, this study-integrated resource based theory to study the effect of corporate entrepreneurship on banker's performance. This study followed a rigorous process to establish the construct validity of the measure by employing CFA using SPSS statistical software packages. The findings of this study revealed that knowledge management, were significant predictors of banker's performance. This study, however, supported the premises of resource-based theory confirming the importance of supportive corporate entrepreneurship for any successful bank branch managers. These findings, therefore, strongly suggested that supportive corporate entrepreneurship should be developed in prior to banker's performance.*

**Keywords:** Banks, Knowledge Management, Corporate Entrepreneurship, Performance, Managers.

### 1.0 INTRODUCTION

Malaysian economy is growing and shifting with the global economy climate, the banking sector play a more inclusive and responsive role in providing better financial services to support the country's economic growth has become more emphatic. With the accelerating pace of change and development, envisage of the banking industry, it will be anticipating greater challenges and more demanding tasks ahead to the managers.

Many banks and firms are currently going through the reinventing process and developing new advantages, which create a challenging and intense competitive environment within the industry (Juma, 2005). Bank managers are crucial human capital in banking industry. The growing and challenging economics environment requires the bank managers to have value added qualities to sustain in the industry. It has been suggested that competitive advantage can easily be achieved by those organizations that succeed in mobilizing their intangible assets in the form of knowledge, technical skills and experience, and strategic capabilities towards creating new processes and product/service offerings (Thacker and Hanscombe,

2003; Burpitt and Bigoness, 1997; West and Adam, 1996). The performance of a bank depends intensely on the management of the bank. Bank managers are responsible for the operation of the bank and ensuring the success of the bank. Stefannescu & Ionescu (2011) stated that a successful bank manager should have knowledge on technical, management science, corporate governance, native skills, anti-risk management, networking, leadership style, local financial condition, and strategy management.

## **2.0 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

Corporate entrepreneurship has increasingly been recognized as a legitimate path to high levels of organizational performance (Ireland et al., 2006a,b; Morris et al., 2008). Although there is a broadly held belief that managers are an important part of this entrepreneurial process (Kuratko et al., 2005a), the corporate entrepreneurship literature predominantly treats managers as a homogenous group. However, organizational strategy research has acknowledged that managers of different levels have different organizational roles (Floyd and Lane, 2000).

Nonaka (1991) believes in the present competitive climate where the only certainty is uncertainty, knowledge considered the main distinguishing factor of business success and seen as the foundation of innovation. Knowledge management is an approach of more leveraging the knowledge and expertise to create value and enhance organizational effectiveness (Zheng *et al.*, 2009). Lin (2005) defined knowledge management as a planned, structured process to manage the acquisition, sharing and applying knowledge as an organizational asset to encourage innovation performance. Knowledge acquisition is defined as the processes that use existing knowledge and capture new knowledge. Knowledge sharing is defined as the processes that distribute knowledge among all individuals participating in process activities. Knowledge application is defined as the business processes through which effective storage and retrieval mechanisms enable a firm to access knowledge easily (Lin, 2005). Previous researches confirm that effective knowledge management facilitates knowledge communication and exchange required in the innovation process, and further enhances innovation performance through the development of new insights and capabilities (Nonaka and Takeuchi, 1995; Argote *et al.*, 2003). Therefore, knowledge management can play a pivotal role in supporting and fostering innovation (Chen and Huang, 2009).

Although the importance of knowledge management is widely accepted but the empirical works that show the relationship of knowledge management and innovativeness is still in its infancy (Hall et al., 2006). There is a prominent gap for detailed investigation of knowledge management existence and implementation in organizations.

Thus the hypothesis is as follows:

H1: Corporate entrepreneurship mediates the relationship between knowledge management and banker's performance.

## **3.0 METHODOLOGY**

The hypothesis was tested using questionnaire administered to a sample of 221 bank branch bank branch managers in Malaysia. The survey questionnaire was developed to assess the relationship between knowledge management, market orientation, corporate entrepreneurship, and bankers' performance. Each item on the three constructs (knowledge management, and corporate entrepreneurship) of the questionnaire survey requires participant to respond: 5 (strongly agree), 4 (agree), 3 (neutral), 2 (disagree), and 1 (strongly disagree), while on a construct of performance, participants is required to respond to the following; 5 (Extremely strong), 4 (strong), 3 (neutral), 2 (weak), and 1 (extremely weak) using a Likert scale of 1 to 5. There were five sections in the questionnaire. Section one consists of fourteen (14) item questionnaire of corporate entrepreneurship adapted from Matsuno, Mentzer and Ozsomer (2002), Scott and Bruce (1994) and Bateman and Crant (1993). Section two consists of twenty-two (22) item questionnaire on knowledge management adapted from study by Truch (2004). Section three consists of twenty seven (27) items questionnaire adapted from Kohli and Jaworski (1990) that will measure the market orientation. Section four will measure the individual performance of the branch

managers with five (5) items questionnaire adapted Pearce and Porter (1986). Final section of the questionnaire consists of seven (7) questions representing a demographic profile querying participants about their gender, age, education, ethnic, position held in the bank, length of time in current position and length of time working in the bank.

#### **4.0 RESULTS**

Means, standard deviations, and correlations are presented in Table 1. To test the reliability of the constructs, reliability analysis was conducted using SPSS. To assess the validity of the constructs, principle components (exploratory) factor analysis with VARIMAX rotation, also using SPSS, was conducted. Factor loadings were determined by forcing the items into a factor. Table 2 displays the reliability and factor analysis results. To test the reliability of the constructs, an analysis of the Cronbach  $\alpha$  was conducted using SPSS. The reliability coefficients for this exploratory study ranged from 0.845 to 0.876, all within acceptable ranges described in the literature. Hair et al. (2010) states that items loaded at 0.50 or better with their corresponding constructs, which is considered very significant. Thus, convergent validity was confirmed. To test the hypothesis of a mediation effects in social research developed by Kenny and others (Barron and Kenny, 1986, Judd and Kenny, 1981; Kenny, Kashy and Bolger, 1998) four step multiple regression procedure that uses three regression equation to establish a mediation relationship between a predictor variable and the outcome variable. This study the predictor variable is knowledge management. The outcome variable in this study is the banker's performance. The mediator for this study is corporate entrepreneurship.

The hypothesis stated that corporate entrepreneurship mediates the relationship between knowledge management and banker's performance. In order to test the hypothesis, similar regression test was conducted which include four regression models shown in Table 3. When corporate entrepreneurship is added as an additional independent variable in the model, knowledge management remain significant predictor of banker's performance at  $p < 0.05$  level. Its beta coefficient reduces from 0.295 to 0.201. Therefore, according to Barron and Kenny (1986), condition of partial mediation is met, thus indicating that knowledge management influence banker's performance is mediated through corporate entrepreneurship.

#### **5.0 DISCUSSION**

The finding of this study generally support the supports Wiklund and Shepherd (2003) who suggested that entrepreneurial orientation can enhance the relationship between knowledge-based resources and firm performance. Organizations should proactively identify and strategically align internal factors that could increase corporate entrepreneurial performance (Barrett, Balloun & Weinstein, 2012). Antoncic and Zorn (2004), corporate entrepreneurship can be considered a potent mediator between organizational support and performance. This indicates that managers may need to select and pursue new firm information, product and process innovation as primary strategic goals of the organization, in order to achieve goals of growth and profitability.

The findings confirms that corporate entrepreneurship mediate the relationship between knowledge management and banker's performance. The implication of this finding suggests that bank branch managers actively seek to manage their knowledge and apply entrepreneurial behavior in managing the bank branch.

#### **6.0 IMPLICATIONS FOR FUTURE RESEARCH**

This research has established an important discovery on the relationship of, knowledge management, corporate entrepreneurship and banker's performance of the banks in Malaysia. However, there are some limitations of the research that may have implications for the future research. Firstly, this study employed cross sectional sample of banker's in Malaysia which might have some lagged effect relationships. Future research should involve collecting data on a longitudinal basis in order to draw causal inferences. Second, the study relies on self reported by the branch manager of the banks. Fata tend to be more positive and may not always be completely truthful. Future studies should investigate the implementation of knowledge management and corporate entrepreneurship within banks in

an attempt to be more directly measure the effect of those being implemented. Third, the study measure unidimension in defining knowledge management and corporate entrepreneurship. Future research should measure each dimension of the variables to provide further insight.

## 7.0 CONCLUSION

The study was conducted to test the mediating effect of corporate entrepreneurship to the relationship between knowledge management and banker's performance in Malaysia. The hypothesis about relationships among corporate entrepreneurship and its antecedents (knowledge management) and its consequences (banker's performance) were partially mediated. The finding of this study provide support that bank branch managers in Malaysia are endow with knowledge management and applying entrepreneurial behavior in managing the branch to sustain competitive advantage and improve their performance. This proves that corporate entrepreneurship culture and knowledge management culture could improve performance. These findings may contribute to the management of banks to encourage the understanding and implementation of knowledge management and corporate entrepreneurship among bank branch managers. In the pursuit of competitive advantage, investments of time and money in intangibles such as knowledge management as well as the freedom to make business decision (corporate entrepreneurship) should be given strong consideration in relation to the bank branch manager resources. This will help the banking industry to survive in the competitive market environment and the change of bank customer's service demand.

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Table 1

Means, standard deviations, and correlations between focal variables.

Variable	Mean	SD	Corporate Entrepreneurship	Banker's Performance	Knowledge Management
Corporate Entrepreneurship	75.85	7.42	1		
Banker's Performance	16.09	2.05	0.280**	1	
Knowledge Management	55.20	5.01	0.561**	0.295**	1

\*\*Correlation is significant at the 0.01 level (2-tailed)

Table 2

Reliability and factor analysis results

Construct	Reliability Analysis	
	Final item	$\alpha$
Corporate Entrepreneurship	16	0.876
Banker's Performance	5	0.845
Knowledge Management	12	0.853

Table 3

*Knowledge Management Influence Banker's Performance*

Independent variable	Dependent Variable	Adj R <sup>2</sup>	Standardized Beta	F-value	Sig. (p-value)
Knowledge Mgt	Banker's Performance	0.083	0.295	40.025	0.000
Knowledge Mgt	Corp Entrepreneurship	0.312	0.561	115.739	0.000
Knowledge Mgt	Banker's Performance	0.326	0.167	22.230	0.032
Corp Entrepreneurship			0.201		0.010

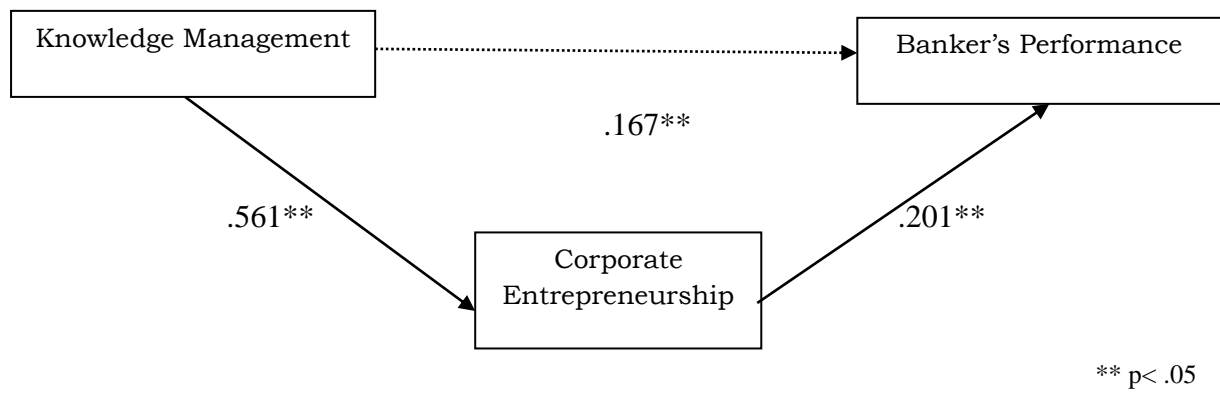


Figure 1  
*Relationship among Knowledge Management, Corporate Entrepreneurship and Banker's Performance.*